

Child Care Microenterprise Conference Call

**A Learning Opportunity for
Federal Child Care Staff and Partners**

**Rachel Banov
January 11, 2006
3:00 to 4:30 EST**



Call Agenda

- Project Overview
- Three Small Business and Asset Building Tools
 - Microenterprise Development
 - Micro-Loan
 - Individual Development Account (IDA)
- Project Resources
 - Tip Sheets
 - Program Directory
- Next Steps
- Question and Answer Session

Project Overview

Project Goals

- Raise awareness in child care community . . .
- Provide resources to program administrators . . .
- Provide resources to child care providers . . .
 - . . . about small business and asset building resources that child care providers can use to start or improve their businesses – either home-based or center-based – or pursue housing or education for themselves.

Improve Provider Outcomes

- Gain business and financial literacy skills
- Save money and leverage earned income
- Access funding opportunities
- Improve business practices
- Improve business physical infrastructure
- Provide better quality child care
- Increase economic stability and self-sufficiency

Improve Community Outcomes

- Increase supply of child care
- Improve quality of child care
- Increase low-income families' economic stability and access to affordable, quality child care
- Decrease turnover rate of providers
- Create new jobs and generate new economic activity, which increases public tax revenues

Three Small Business and Asset Building Tools

Three Tools

- Child Care Bureau Project focuses on three small business and asset building tools that can help child care providers:
 - Microenterprise Development
 - Micro-Loan
 - Individual Development Account (IDA)

Host Organization Examples

- Community Action Agencies
- Community development corporations
- Community development financial institutions
- Credit unions
- Loan funds
- Local, State, or Tribal government agencies
- Small business development centers
- Social service organizations (United Way, YMCA)
- Women's business centers

Host Organization Roles

- Refer and conduct outreach to child care providers to connect them to organizations that offer these three tools
- Collaboration with local organizations to provide services to clients
- Establishment of own microenterprise, micro-loan, and/or IDA program in-house

Microenterprise Development

Microenterprise

- A microenterprise is a business with five or fewer employees that is small enough to require initial capital of \$35,000 or less.
- Most microenterprises are sole proprietorships, which create employment for the owner.
- Microenterprises can be any type of business, including child care, as well as repair services, cleaning services, specialty foods, jewelry, arts and crafts, clothing, computers, etc.

Microenterprise Programs

- Microenterprise programs are operated by a wide variety of non-profit organizations
- Range from:
 - Stand-alone microenterprise organizations whose primary purpose is to provide microenterprise development services to ...
 - Multi-service organizations that may focus on broader employment, economic development, and anti-poverty strategies.

Assistance Microenterprise Programs Provide

- Training classes, workshops, or one-on-one consulting on such topics as:
 - Developing a child care business
 - Pricing
 - Creating a business plan
 - Financial skills
 - Conducting a feasibility study
 - Business insurance
 - Marketing
 - Computer training
 - Recruiting
 - Legal issues
- Peer support groups
- Mentoring opportunities

Sample Microenterprise Program:

Southern Good Faith Fund

Pine Bluff, Arkansas

- On-site technical assistance for child care providers at highly subsidized rates (re: record keeping, financial management, and marketing)
- Developed 7-week class (re: licensing, nutrition, marketing, financials, loans, grants, IDAs, and legal issues)
- General business and economic skills classes
- Help become an Arkansas Quality Approved provider
- Individual Development Account program in-house
- Newsletter for child care businesses: “Small Talk”
- Refer to other organizations that offer loans
- *SBA Women’s Business Development Center*
- *Partner with State Department of Human Services*

Sample Microenterprise Curriculum:

Developing your Family Child Care Business

Ewing Marion Kauffman Foundation and First Step Fund

- Combines industry-specific information with business information in an 8 module, 39 hour course
- Curriculum designed for programs that provide entrepreneurship training to child care providers across the country – comes with a facilitator manual and participant manuals
- Appropriate for existing child care operators and those anticipating start up
- Providers create a parent handbook and business plan as part of class

Sample Microenterprise Curriculum:

Developing your Family Child Care Business

Ewing Marion Kauffman Foundation and First Step Fund

- Introduction to Developing Your Family Child Care Business and What is an Entrepreneur?
- Networking
- Personal Development
- Starting the Business Plan
- Service & Products
- Marketing Your Service
- Pricing and Promotion
- Financials
- Parent Handbook
- The Finale

Curriculum Evaluation Findings:

Developing your Family Child Care Business

- An increase in annual revenues of \$3,693
- An increase of 2 in median # of children served in business (from 6 to 8 children)
- 48% improved their financial record keeping
- Participants see themselves as entrepreneurs as opposed to babysitters
- Greater and improved communications with parents
- Connection with new resources, i.e. networking groups, local child care organizations, cooperative
- Seeking further education in early childhood care and education, personal and professional development, and business
- Additional 78 individuals opened or plan to open family child care business after program

Local Microenterprise Program Directories

- **Aspen Institute's Microenterprise Program Directory:**

<http://fieldus.org/directory/index.asp>

- **Association for Enterprise Opportunity's Member Program Directory:**

<http://www.microenterpriseworks.org/nearyou/selectstate.asp>

- **State Microenterprise Associations:**

<http://www.microenterpriseworks.org/stateassoc/>

Micro-Loans

Micro-Loans

- Small loan typically under \$25,000
- Made to entrepreneurs who typically cannot access traditional forms of commercial financing for their businesses
- Loan features, including collateral requirements, size, and term, are tailored to the needs of low-income, higher risk entrepreneurs and are different from standard bank loans.

Assistance Micro-Loan Programs Provide

- Access to loans
- Credit and debt counseling and repair
- Related business training and technical assistance, i.e. help with business plan
- In some communities, organizations or banks have designed special micro-loan programs specifically for child care businesses with different interest rates and other features

Sample Child Care Micro-Loan 1:

Women's Business Development Center

Child Care Business Initiative

Chicago, Illinois

- **Uses of Funds:** Equipment, furnishings, leasehold improvements/construction build-out, working capital, and start-up costs
- **Amount:** \$500 to \$25,000
- **Interest Rate:** Fixed 10% per annum
- **Term:** Up to 3 years
- **Eligibility:** Start-up or existing home-based or center based child care business located in the state of Illinois
- **Equity:** 10% of Loan Amount
- **Collateral:** Not a consideration
- **Guarantees:** Personal guarantee provided by any owner of more than 20% of the company

Sample Child Care Micro-Loan 2:

*Lenders for Community Development
Building Blocks Childcare Loan Program
San Jose, California*

- **Uses of Funds:** Upgrade or replace toys, furniture, or other equipment; Remodel, repair, or make improvements to facility; Increase the licensed capacity through additions; Increase safety measures; Get facility accredited; Cover costs of starting a new child care business (lease deposit, materials, etc.)
- **Amount:** \$1,000 to \$100,000
- **Interest Rate:** Fixed 5%
- **Term:** up to 10 year repayment period
- **Eligibility:** New or existing family child care or child care center businesses in Santa Clara or San Mateo Counties
- **Equity:** 10% of Loan Amount
- **Collateral:** Not a consideration

Micro-Loan Programs

- **Small Business Administration Micro-Loan Program Intermediary Lenders:**

<http://www.sba.gov/financing/microparticipants.html>

- **Community Development Financial Institutions Fund awardees:**

<http://www.cdfifund.gov/loan.asp>

Individual Development Accounts (IDAs)

Individual Development Accounts

- Special savings accounts in which low-income individuals:
 - Save their earned income on a regular basis
 - Do not make withdrawals before reaching savings goal, except for approved emergencies
 - Receive a match rate
 - Match rate varies from \$1 to \$1 to \$8 to \$1
 - Average match rate: about \$2 to \$1
 - Purchase a long-term asset with savings and match money

IDA Asset Goals

- Three most common asset goals:
 - Start or expand a small business
 - Purchase a home
 - Pursue post-secondary education or training

IDA Eligibility

While eligibility requirements vary at each IDA program, it is typically based on:

- **Income:** maximum income levels are most often a percentage of the federal poverty guidelines or the area median income
- **Earnings:** many IDA programs require that all or part of savings come from earned income
- **Net Worth:** restrictions on amount of household assets (i.e. car, home, previous savings)
- **Credit History:** a lot of debt or a bad credit history may hinder IDA eligibility, but a program may help or require an individual to pay off loans before opening an IDA.

Sample IDA Participant

- Susie wants to start a child care small business.
- She needs \$5,000 of capital.
- IDA program offers a match rate of \$4 for every \$1 saved in her IDA.
- Susie saves \$1,000.
 - \$42 per month over 2 years

Susie's IDA

**\$1000
Savings**

**\$4000
Match**

**\$5000
for Child
Care Business**

Assistance IDA Programs Provide

- Participant savings agreement
- Financial education about budgeting, saving, banking, credit cards
- Asset-specific training related to the selected savings goal
- One-on-one counseling and other training
- Credit counseling and repair
- Help in accessing refundable tax credits including the Federal and State Earned Income Tax Credit (EITC), child tax credit, and others

Sample Child Care IDA Program:

*Community Development Corporation of Long Island
Centereach, New York*

- **Savings Amount:** Up to \$1000
- **Match Rate:** \$1 to \$1
- **Match Amount :** Up to \$1000
- **Uses of Funds:** To enhance the quality of the child care provider's facility
- **Account features:** No required minimum opening balance, no minimum monthly balance, no monthly fees

Local IDA Program Directories

- **Federal Assets for Independence Project Locator:**

<http://www.acf.hhs.gov/assetbuilding/states.html>

- **CFED's IDA Program Directory:**

<http://www.cfed.org/focus.m?parentid=31&siteid=374&id=599>

Project Resources

Tip Sheets Overview

- One series of materials is intended for **organizations and program administrators** that help child care providers.
- A second series of materials is intended for distribution to **child care providers** who seek business assistance from these organizations.

Tip Sheets for Programs

- **Microenterprise, Micro-Loans, and IDAs**
 - Background on each tool
 - Federal and non-federal funding opportunities
 - Publications
 - Other resources
- **Microenterprise Training Curricula**
 - Child care business and general microenterprise curricula to facilitate for child care providers
- **Microenterprise Effective Practices**

Tip Sheets for Providers

- **About IDAs**
- **About Micro-Loans**
- **Local and Online Business Resources**
 - Child care business manuals and workbooks
 - Sample budgets, business plans, and parent handbooks, and other business support
 - Government and non-profit loans, technical assistance, and business counseling
 - Financial education and training opportunities

Child Care Microenterprise Local Program Directory

- Includes almost 150 local programs that offer microenterprise and asset building assistance to child care providers
- Resource for providers to find local programs that can assist them
- Resource for interested organizations to collaborate with existing local programs to provide this type of assistance

Child Care Bureau Next Steps

- Contact Rachel Banov at Rachel.Banov@hhs.gov through January 13 if you have comments about this project.
- Tip Sheets and Directory will be available in early 2006 on NCCIC's website at: <http://nccic.org/user/providers.html#ccbusiness>
- Materials will be distributed to:
 - CCDF child care administrators
 - Child care organizations
 - CCR&Rs
 - Microenterprise organizations

Your Next Steps

- Distribute project tip sheets for providers to child care business owners with whom you work
- Review project tip sheets and effective practices for programs to learn more about implementation
- Encourage states to partner with IDA or microenterprise programs
- Review the soon-to-be-released child care microenterprise directory to learn from existing programs near you
- Invite microenterprise organization staff to be speakers at your regional conferences

Question and Answer Session